

Durham Convention Center Authority meeting

Tuesday, July 21, 2009

8:00 am

The meeting was called to order at 8:00am with the following members present:

Authority: Rob VanDewoestine, Al Bass, Patrick Byker, and Joe Bowser. Joe Bowser, a new Authority member and County representative effective May 26, 2009 was introduced to the committee. *Owners:* Harmon Crutchfield, Sharon DeShazo, Mícheál Lynch, Joel Reitzer, Karmisha Wallace, and Drew Cummings. *Management Company:* Dick Brezinski, Alfrado Garner, and Wendy Jeffries.

Motion of approval for June 16, 2009 minutes moved by Al Bass, seconded by Patrick Byker, voted and agreed upon by all.

Open Issues:

- Phase II Capital Project steering committee
- Management agreement update

Action Items:

- Mr. Brezinski will report on the City of Raleigh's cost investment dedicated to a convention center website.
- Mr. VanDewoestine will distribute the Fuqua Key performance indicators as modified by the Authority
- Ms. Wallace will be convening the next meeting to work on the new Shaner contract over the next two weeks.

Management Report Summary

- The final deficit for year Fiscal Year 2008-09 was \$1,263,568 vs. an amended budget of \$909,148. The shortfall over budget was distributed among the City, County and Shaner in the amount of \$110,000 each. Shaner absorbed the amount over that total at \$24,420.
- Revenue this July is forecast higher than July 2008, but behind budget. Revenue is expected to improve in August and September, but the total net is forecast behind budget by \$16,019 for the first quarter.

Capital Project Report

- Failures of the new HVAC system that occurred last summer seem to be resolved by the installation of line reactors to level voltage spikes.
- Definitive cause for the pipe that froze and burst causing a flood in the new ballroom has not been identified and Mr. Reitzer will propose a meeting with Skanska regarding cost sharing.

Meeting Details

The last correspondence regarding the upcoming management agreement with Shaner was in June. Presently discussions involve incentives for Shaner to increase performance in creating more revenue and reducing risks. The Authority raised questions: Will the agreement proceed through the same budget process regarding revenues exceeding the

budget and will a deficit exceeding the approved budget be divided among each entity. Shaner will propose a fixed amount each year. The new agreement will be a standing item on the monthly agenda.

Raleigh's convention center has its own dedicated website. A dedicated site is 100% traceable. Other nearby cities, Winston-Salem and Greensboro do not have dedicated sites. Mr. Brezinski will research amount spent on Raleigh's website development. 95% of Durham Convention Center's proposals and leads are electronic. The discussion per the website committee is low or no cost options. Mr. Brezinski feels the website venue is imperative and is willing to shift funds from the operating budget for the project. In evaluating funds, he will take what is used in print and peruse the advertising line item budget. He feels bookings generated from the site will absorb the cost of development.

City Council approved the name change amendment to the Interlocal agreement for the Durham Convention Center Authority on June 15 per consent agenda #26. The intent is that this would be the only change needed, and that we not have to amend prior agreements.

Ron Ferrell, City of Durham Public Information will assist in creating a webpage for the convention center on the City of Durham's website. Once a page has been created, he will forward a link for review before it goes live. The convention center website committee should provide copy and artwork. Currently, Ron linked the City Website to the Durham Convention Center, via DCVB which is the same process the County has done. This link is in the "Resource Links" drop down menu on the City home page.
http://www.durham-nc.com/planners/meetings_events/conventioncenter.html

Per communication with the City of Durham General Services Energy Manager, we are pursuing a non fee assessed energy assessment for the Convention Center. The assessor will provide recommendations regarding improvements in energy consumption. His recommendations will be forwarded to the project Design Team for review once completed.

Phase I (Current Project)

The Design Team and CM@R are continuing discussions with the suppliers and manufacturers regarding the faulty compact fluorescent can lamp components. Duke Energy has agreed to continue monitoring on-site equipment for evaluation. An issue with an imbalance within the existing chilled water system has been deferred to Phase II as recommended by the Design Team. No further action has been proposed regarding the roof-top-unit #03 freeze failure; quotes from an independent review (\$6,500) is over 25% of the costs incurred and is unlikely to uncover new information or provide interpretation to base a claim. The Director of General Services does not support absorbing this cost. He will request an analysis of the situation and offer to meet Skanska halfway on cost since the situation cannot be proven. The coil-freeze occurred during the warranty period; however, warranty does not apply if the operator is at fault. The CM@R is responsible for documentation and training. The Design Team has responded to queries raised by Shaner and their service contractor on aspects of the HVAC system. A meeting

is planned to review the issues and how they may impact the Phase II scope. Currently there is sufficient contingency to rollover into Phase II.

Proposed New Project - Phase II (FY08-09 funds)

Prior to approval of the Design Team's contract, Mr. Reitzer wishes to sit with them and review the proposal (general overhead, profit and breakdown of cost). The Owner/Shaner steering committee met on 06/19/09 to review how the proposed scope will be prioritized; the Design Team is requested to evaluate the implementation of the Fuquay study recommendations for sound system improvements.

Project Budget

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| Design phase funded July 2008 | \$1,176,000.00 |
| Construction phase funding anticipated July 2009 | \$5,335,000.00 |
| Project total | \$6,511,000.00 |

Design Phase – 6 months

Following the Design Team's appointment, they will join the steering committee to advise on code requirements and develop an agreed project scope based on a review of the stakeholder' priorities. They will also develop a construction schedule and consult with the Project Manager and Shaner on any business shutdowns which may be required.

Construction Phase – schedule to be determined

The CM@R issues a Guaranteed Maximum Price developed from the acceptable bid, which then becomes the basis for their construction phase contract.

As part of the Key Performance Indicators per the Fuqua study, Shaner will maintain and improve ESS results.

Management Company update:

Mr. Brezinski would like to curtail discussions on upgrading audio-visual equipment due to issues surrounding revenues. He will revisit conversations with the audio-visual company regarding the present contract. During the Phase II project, the Design Team will evaluate owning/leasing audio-visual equipment and meet with the audio-visual vender.

The forecast for July revenues remain historically lower than other months. June reveals a total end-of-year deficit of \$1,263,568. The FY2008/09 budget was amended at \$909,148 leaving a shortfall which exceeded the approved budget of \$354,420. The shortfall over budget was agreed upon and distributed among each entity not to exceed \$110,000. Shaner absorbed the difference over that amount at a total of \$134,419. The sales department is in process of making an offer on the vacant sales position. The Management Company is experiencing an increase in cancellations in definite business and much of the contracted attrition is uncollectable. Since January, the facility has suffered a loss of \$37,050 in definite business for June, and \$4,680 was lost within the month. There were 17 events booked in June. A notable change from last year's bookings is the decline in training and seminar business.

Agenda for next meeting

- Status of new management agreement
- Lease agreement for the fitness center
- Capital update
- Management report
- Web site status